

El Paso Children's Hospital Foundation

A Component Unit of University Medical Center Foundation of El Paso
Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

El Paso Children’s Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
September 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
El Paso Children's Hospital Foundation
El Paso, Texas

We have audited the accompanying financial statements of El Paso Children's Hospital Foundation (Children's Foundation), a component unit of University Medical Center Foundation of El Paso, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Children's Foundation as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Children's Foundation basic financial statements. The introductory information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
December 14, 2020

El Paso Children’s Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
Introductory Information
Years Ended September 30, 2020 and 2019

The management of El Paso Children’s Hospital Foundation (Children’s Foundation) is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and include amounts based on judgments and estimates made by management. Management also prepares the other information included in the report and is responsible for its accuracy and consistency with the financial statements.

The 2020 and 2019 financial statements have been audited by the independent accounting firm of **BKD, LLP**, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the board of directors. The board of directors provides oversight to the financial reporting process. Integral to this process is the board’s review and discussion with management of the monthly financial statements and the external auditors for the annual financial statements.

The Children’s Foundation maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded and that assets are properly safeguarded, and also to provide reasonable assurance to our management and the board of managers regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility.
- Established policies and procedures that are regularly communicated and that demand highly ethical conduct from all employees.

The Children’s Foundation monitors the operation of the internal control system and reports findings and recommendations to management and the board of managers as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

El Paso Children’s Hospital Foundation

/s/Estela Casas
Estela Casas
Executive Director

El Paso Children's Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of El Paso Children's Hospital Foundation (Children's Foundation) provides an overview of the Children's Foundation financial activities for the years ended September 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Children's Foundation.

The Children's Foundation was created in March 2016. However, it had no activity until October 2016, at which point the Children's Foundation began to perform all functions related to El Paso Children's Hospital Corporation (El Paso Children's) which were previously overseen by University Medical Center Foundation (UMC Foundation).

Financial Highlights

- At September 30, 2020, contributions and pledges receivable, net of discount and allowance, totaled \$1,668,743.
- At September 30, 2020, the Children's Foundation had restricted cash and cash equivalents of \$2,691,147.
- The Children's Foundation reported operating revenue of \$3,154,962 for the year ended September 30, 2020, of which \$671,533 was contributed services and \$2,483,429 was contribution revenue, net of the provision for uncollectible accounts.
- The Children's Foundation had restricted investments of \$2,244,306 at September 30, 2020.
- The Children's Foundation contributed \$1,019,451 to El Paso Children's and \$135,580 to other organizations during 2020.

Using This Annual Report

The Children's Foundation financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Children's Foundation, including resources held by the Children's Foundation but restricted for specific purposes by contributors and grantors. The Children's Foundation is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

The balance sheet and the statement of revenues, expenses and changes in net position report information about the Children's Foundation resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Children's Foundation net position and changes in it. The Children's Foundation total net position—the difference between assets and liabilities—is one measure of the Children's Foundation financial health or financial position.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Children's Foundation Net Position

A summary of the Children's Foundation balance sheets is presented in the following table:

Table 1: Assets, Liabilities and Net Position

	2020	2019
Assets		
Contributions and pledges receivable	\$ 1,668,743	\$ 1,407,582
Prepaid expenses	105,163	177,977
Due from UMCF	5,000	22,572
Investments restricted by donor	2,244,306	1,093,164
Restricted cash and cash equivalents	<u>2,691,147</u>	<u>2,913,198</u>
Total assets	<u>\$ 6,714,359</u>	<u>\$ 5,614,493</u>
Liabilities		
Total liabilities	<u>\$ 123,727</u>	<u>\$ 708,263</u>
Net Position		
Restricted – expendable	4,316,806	2,959,031
Restricted – non-expendable	<u>2,273,826</u>	<u>1,947,199</u>
Total net position	<u>6,590,632</u>	<u>4,906,230</u>
Total liabilities and net position	<u>\$ 6,714,359</u>	<u>\$ 5,614,493</u>

Operating Results and Changes in the Hospital's Net Position

The following table presents a summary of the Children's Foundation revenues and expenses for the years ended September 30, 2020 and 2019.

Table 2: Operating Results and Changes in Net Position

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Contribution revenue	\$ 2,483,429	\$ 1,958,813
Contributed services	<u>671,533</u>	<u>668,721</u>
Total operating revenues	<u>3,154,962</u>	<u>2,627,534</u>
Operating Expenses		
Purchased services	941,165	826,464
Contributions	1,155,031	1,576,040
Other	<u>180,546</u>	<u>291,715</u>
Total operating expenses	<u>2,276,742</u>	<u>2,694,219</u>
Operating Income (Loss)	<u>878,220</u>	<u>(66,685)</u>
Nonoperating Revenues		
Investment income	<u>213,603</u>	<u>42,211</u>
Total nonoperating revenues	<u>213,603</u>	<u>42,211</u>
Contributions for Endowments	<u>131,575</u>	<u>440,389</u>
Transfer from UMC	<u>461,004</u>	<u>-</u>
Increase in Net Position	<u>\$ 1,684,402</u>	<u>\$ 415,915</u>

Nonoperating Revenues and Expenses

Nonoperating revenues primarily consist of investment income from investments restricted by donors, which totaled \$213,603 in 2020 and \$42,211 in 2019.

Transfer from UMC

During the year ended September 30, 2020, the Children's Foundation received an equity transfer from UMC of \$461,004 related to the forgiveness of payables owed to UMC. This resulted in a reduction in payables and increase in net position during the year.

The Children's Foundation Cash Flows

The Children's Foundation experienced a reduction in cash and cash equivalents in 2020 due to an increase in pledges receivable, and a decrease in cash and cash equivalents in 2019 due to the purchase of investments.

As the designated fundraising entity for El Paso Children's, the Children's Foundation raises funds for El Paso Children's and Children's Miracle Network (CMN) through grants, major gifts, events and annual campaigns with a strategic focus that aligns with the hospital to bring the most specialized and quality care of services to the pediatric population throughout the region.

Outlook and Vision

In 2020, the Children's Foundation granted \$1,019,451 to El Paso Children's which consisted of medical equipment, building expansions and program support, including the following:

Equipment

- \$89,900 to the Neuro Oncology Department for a Lightforce LF-40 Gold Laser specially designed for pediatric neurology to ablate brain cancer tumors.
- \$83,839 to Endoscopy for Bronchoscopes needed due to an increase in fiberoptic bronchoscopy procedures on patients from birth to 18 years old, which require a wide variety of bronchoscope sizes to correspond to the patient size.
- \$65,688 to the Operating Room for a Ventriculoscopy System needed to perform Endoscopic Craniosynostosis and Endoscopic Shunt Placement procedures which are less invasive, have better outcomes, shorten length of stay and allow the surgeons to perform the procedures more efficiently.

General Patient Care

- \$155,857 for the GetWell TV system found in each patient room with features such as age appropriate games, entertainment, and patient education.
- \$84,068 for the Child Life Program, which funds Child Life Specialists and is the city's only in-hospital therapeutic arts program.

In the upcoming year, the focus of the Children's Foundation will be to continue raising awareness of the needs of El Paso Children's and raising funds to continue growing current service lines that help keep young patients and their families from leaving El Paso for treatment. The Children's Foundation will work in concert to enhance the strategic and future needs of El Paso Children's swiftly and with a caring heart for our young patients.

Contacting the Foundation's Financial Management

This financial report is designed to provide our stakeholders with a general overview of the Children's Foundation finances and to show the Children's Foundation accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to El Paso Children's Hospital Foundation, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

El Paso Children's Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
Balance Sheets
September 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Contributions receivable	\$ 569,241	\$ 342,344
Prepaid expenses	105,163	177,977
Due from UMCF	5,000	22,572
Pledges receivable	260,145	244,034
Total current assets	939,549	786,927
Noncurrent Assets		
Cash and cash equivalents restricted by donor	2,691,147	2,913,198
Investments restricted by donor	2,244,306	1,093,164
Pledges receivable, net	839,357	821,204
Total noncurrent cash and cash equivalents and pledges	5,774,810	4,827,566
Total assets	\$ 6,714,359	\$ 5,614,493

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 13,718	\$ 44,170
Unearned revenue	91,150	168,495
Due to affiliates	18,859	495,598
Total current liabilities	123,727	708,263
Net Position		
Restricted – expendable	4,316,806	2,959,031
Restricted – non-expendable	2,273,826	1,947,199
Total net position	6,590,632	4,906,230
Total liabilities and net position	\$ 6,714,359	\$ 5,614,493

El Paso Children's Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Contribution revenue, net of provision (credit) for uncollectible accounts, 2020 – \$54,414 and 2019 – (\$34,562)	\$ 2,483,429	\$ 1,958,813
Contributed services	<u>671,533</u>	<u>668,721</u>
Total operating revenues	<u>3,154,962</u>	<u>2,627,534</u>
Operating Expenses		
Purchased services	941,165	826,464
Contributions to EPCH	1,019,451	1,466,917
Contributions to others	135,580	109,123
Other	<u>180,546</u>	<u>291,715</u>
Total operating expenses	<u>2,276,742</u>	<u>2,694,219</u>
Operating Income (Loss)	878,220	(66,685)
Nonoperating Revenues	213,603	42,211
Contributions for Endowments	131,575	440,389
Transfer from UMC	<u>461,004</u>	<u>-</u>
Increase in Net Position	1,684,402	415,915
Net Position, Beginning of Year	<u>4,906,230</u>	<u>4,490,315</u>
Net Position, End of Year	<u>\$ 6,590,632</u>	<u>\$ 4,906,230</u>

El Paso Children's Hospital Foundation
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Notes to Financial Statements
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	2020	2019
Operating Activities		
Contribution revenue	\$ 2,162,495	\$ 2,085,139
Payments for purchased services and other expenses	(1,578,582)	(2,111,558)
Net cash provided by (used in) operating activities	583,913	(26,419)
Noncapital Financing Activities		
Contributions for endowments	131,575	440,389
Net cash provided by noncapital financing activities	131,575	440,389
Investing Activities		
Purchase of investments	(1,107,544)	(1,206,783)
Proceeds from disposition of investments	120,811	113,619
Interest income received	49,194	42,211
Net cash used in investing activities	(937,539)	(1,050,953)
Decrease in Cash and Cash Equivalents	(222,051)	(636,983)
Cash and Cash Equivalents, Beginning of Year	2,913,198	3,550,181
Cash and Cash Equivalents, End of Year	\$ 2,691,147	\$ 2,913,198
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 878,220	\$ (66,685)
Change in operating assets and liabilities		
Pledges and contributions receivable	(261,161)	(24,597)
Due to/from UMC	(15,735)	58,983
Due to/from UMCF	17,572	(17,572)
Other assets	72,814	(65,156)
Unearned revenue	(77,345)	168,495
Accounts payable	(30,452)	(79,887)
Net cash provided by (used in) operating activities	\$ 583,913	\$ (26,419)
Noncash Noncapital Financing Activities		
Forgiveness of accounts payable by UMC	\$ 461,004	\$ -

El Paso Children's Hospital Foundation
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Notes to Financial Statements
September 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

El Paso Children's Hospital Foundation (Children's Foundation), a Texas not for-profit corporation, is a component unit of the University Medical Center Foundation of El Paso (UMC Foundation). The Children's Foundation is the designated Internal Revenue Code Section 501(c)(3) charitable organization for El Paso Children's Hospital Corporation (El Paso Children's). The Children's Foundation is a member of the Children's Miracle Network and fiscal agent for EN VOZ ALTA. UMC Foundation is the sole member of the Children's Foundation and, accordingly, the Children's Foundation is included in the financial statements of UMC Foundation. University Medical Center of El Paso (UMC) is the sole member of UMC Foundation.

The Children's Foundation purpose is to provide support for El Paso Children's in fulfilling their vital mission of providing patient care, education of health care professionals, research, and community service in El Paso County.

Basis of Accounting and Presentation

The financial statements of the Children's Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. The Children's Foundation first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Children's Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020 and 2019, cash equivalents consisted of money market accounts, savings deposits and cash held in brokerage accounts.

El Paso Children's Hospital Foundation
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Notes to Financial Statements
September 30, 2020 and 2019

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments, including money market funds, are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Net Position

Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by grantors or donors external to the Children's Foundation. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Children's Foundation, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of restricted net position.

Contributions and Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net position. Gifts received with a donor stipulation that limits their use are reported as restricted net position. When a donor stipulated time restriction ends or purpose restriction is accomplished, restricted net position is reclassified to unrestricted net position.

Contributions receivable are contributions from individuals and organizations that are expected to be received in the near term. Pledges receivable are gifts from individuals and organizations and are classified based on when they are expected to be received.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are classified as pledges receivable and are initially reported at fair value which is determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using a risk-free rate related to the year the promise is made. Amortization of the discount is included in contribution revenue. The Children's Foundation estimated an allowance for doubtful pledges receivable based on historical collection rates.

At September 30, 2020, 83 percent of the gross pledge receivable balance was owed from two donors. At September 30, 2019, 80 percent of the gross pledge receivable balance was owed from one donor.

El Paso Children's Hospital Foundation
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Notes to Financial Statements
September 30, 2020 and 2019

Unearned revenue

At September 30, 2020 and 2019, the Children's Foundation had unearned revenue of \$91,150 and \$168,945, respectively, resulting from entry and sponsorship fees received for an event that took place after the respective year ends.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services primarily consisted of management, accounting and fundraising activities performed by UMC.

Income Taxes

The Children's Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state law. However, the Foundation is subject to U.S. federal income tax on any unrelated business taxable income.

The Children's Foundation files tax returns in the U.S. federal jurisdiction.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. At September 30, 2020, the Children's Foundation had bank balances of \$2,681,123, of which \$269,495 was insured and the remainder was uninsured and uncollateralized. At September 30, 2019, the Children's Foundation had bank balances of \$2,913,198, of which \$500,000 was insured and the remainder was uninsured and uncollateralized.

Investments

At September 30, the Children's Foundation had the following investments:

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	2020	2019
U.S. Equities	\$ 1,319,575	\$ 426,577
Exchange-traded funds and closed-end funds	902,128	137,192
Mutual funds	22,603	529,395
 Total investments	 \$ 2,244,306	 \$ 1,093,164

Interest rate risk – As a means of limiting exposure to fair value losses due to rising interest rates, the Children’s Foundation staggers its maturity dates of specific investments. The longer the maturity of a fixed-rate obligation, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the obligation’s fair value decrease. Likewise, when interest rates decrease, the obligation’s fair value increase.

Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Children’s Foundation policy to be in compliance with Texas and federal law, including the *Texas Uniform Prudent Management of Institutional Funds Act*. In addition, the Children’s Foundation does not invest in commercial paper, bankers’ acceptances and municipal debt due to higher perceived credit risk. In the event they are authorized by policy in the future they will be restricted to a five percent issuer limitation.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Children’s Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Children’s Foundation investments are held in safekeeping accounts.

Concentration of Credit Risk – With the exception of collateralized bank deposits, U.S. Treasury securities and fully collateralized flexible repurchase agreements related to specific bond issues, investment in any single issuer or financial institution shall be limited to 30 percent of the total portfolio.

Note 3: Related Party Transactions

UMC performs certain administrative functions including services related to management, accounting and fundraising for the benefit of the Children’s Foundation. Total services donated to the Children’s Foundation by UMC were \$535,754 and \$407,070 during 2020 and 2019, respectively. These amounts are included in contributed services in the statements of revenues, expenses, and changes in net position.

In addition, UMC pays for all the operating expenses of the Children’s Foundation and is subsequently repaid as the Children’s Foundation receives contributions. The Children’s Foundation had payables of \$18,859 and \$495,598 to UMC for these expenses at September 30, 2020 and 2019, respectively. During 2020, payables owed to UMC totaling \$461,004 were forgiven by UMC and recognized as an increase in net position.

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Some cash receipts relating to the Children's Foundation are deposited into UMC Foundation bank accounts and are then subsequently transferred to the Children's Foundation. At September 30, 2020 and 2019, \$0 and \$22,572, respectively, of cash receipts related to the Children's Foundation had been deposited into UMC Foundation bank accounts, for which the Children's Foundation has recorded a receivable for these expected cash receipts.

Note 4: Pledges Receivable

Pledge receivables for the Children's Foundation consisted of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 260,145	\$ 244,034
Due in one to five years	874,698	907,675
	<u>1,134,843</u>	<u>1,151,709</u>
Less		
Allowance for uncollectible pledges	23,007	23,504
Unamortized discount	<u>12,334</u>	<u>62,967</u>
	<u>\$ 1,099,502</u>	<u>\$ 1,065,238</u>

Discount rates ranged from 0.12 percent to 0.62 percent at September 30, 2020 and 1.56 percent to 1.78 percent at September 30, 2019.

Note 5: Restricted Expendable Net Position

At September 30 restricted expendable net position is available for the following purposes:

	<u>2020</u>	<u>2019</u>
Pediatric cardiovascular surgery fund	\$ 24,545	\$ 39,622
General purpose fund	2,894,879	1,944,479
Child life fund	89,508	190,972
Children Miracle Network fund	909,419	732,982
Pediatric cancer fund	28,219	26,767
En Voz Alta fund	13,704	24,209
Crime victims clinic fund	<u>356,532</u>	<u>-</u>
Total restricted expendable net position	<u>\$ 4,316,806</u>	<u>\$ 2,959,031</u>

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Note 6: Endowments

The Children's Foundation received a commitment from the James A. "Buddy" Davidson Charitable Foundation to establish an endowment with income from the endowment to be used for the benefit of the pediatrics program at El Paso Children's. The \$500,000 endowment commitment was made in five annual installments beginning in 2011. The entire \$500,000 commitment was paid as of September 30, 2015, and no new commitments have been received from this donor.

The Children's Foundation received a commitment from the Hunt Family Foundation to establish an endowment for the benefit of El Paso Children's. The Hunt Family Foundation will contribute one dollar for every two dollars of qualifying gifts received up to \$1,000,000 and will be contributed over a seven-year period beginning in 2012. As of September 30, 2019, the Children's Foundation had received the entire \$1,000,000 commitment.

The Children's Foundation received a commitment from Pat and Laura Gordon to establish an endowment for the benefit of El Paso Children's. Pat and Laura Gordon will contribute \$1,000,000 over a nine-year period beginning in August 2018. As of September 30, 2020 and 2019, the Children's Foundation has received \$250,407 and \$200,407, respectively, from the respective donors relating to this commitment.

The Children's Foundation received a commitment from Quickstudy Learning Centers, Inc., d/b/a Southwest University (Southwest University) at El Paso to establish an endowment for the benefit of El Paso Children's. Southwest University will contribute \$300,000 over a ten-year period beginning in 2018. During 2020 and 2019, the Children's Foundation received \$120,000 and \$70,000, respectively, from Southwest University relating to this commitment.

The Children's Foundation received a commitment from Lauren and William Harvey to establish an endowment for the benefit of El Paso Children's with a onetime contribution of \$100,000, which was received in 2018.

The Children's Foundation received a commitment from Cliff and Martha Eisenberg to establish an endowment for the benefit of El Paso Children's. Cliff and Martha Eisenberg will contribute \$50,000 over a three-year period beginning May 2020. As of September 30, 2020, the Children's Foundation has received \$17,000 from the respective donors relating to this commitment.

Endowment contributions are recognized when the contributed asset is received.

Note 7: Disclosure About Fair Value of Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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September 30, 2020 and 2019

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities (in thousands) recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2020 and 2019.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020				
U.S. Equities	\$ 1,319,575	\$ 1,319,575	\$ -	\$ -
Exchange-traded funds and closed-end funds	902,128	902,128	-	-
Mutual funds	22,603	22,603	-	-
Total investments	<u>\$ 2,244,306</u>	<u>\$ 2,244,306</u>	<u>\$ -</u>	<u>\$ -</u>
September 30, 2019				
U.S. Equities	\$ 426,577	\$ 426,577	\$ -	\$ -
Exchange-traded funds and closed-end funds	137,192	137,192	-	-
Mutual funds	529,395	529,395	-	-
Total investments	<u>\$ 1,093,164</u>	<u>\$ 1,093,164</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

El Paso Children's Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
Notes to Financial Statements
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In March 2020, the global COVID-19 pandemic began to cause significant volatility in the investment markets. However, following the initial impact of the pandemic, investment markets returned to levels consistent with levels prior to the pandemic.